APPENDIX A.

REVENUE ACTS OF 1936 AND 1938.

"Sec. 23. DEDUCTIONS FROM GROSS INCOME.

"In computing net income there shall be allowed as deductions:" * * *

"(b) INTEREST.—All interest paid or accrued within the taxable year on indebtedness, except" * * *

"(c) TAXES GENERALLY.—Taxes paid or accrued within the taxable year except—" * * *

"(4) taxes assessed against local benefits of a kind tending to increase the value of the property assessed; but this paragraph shall not exclude the allowance as a deduction of so much of such taxes as is properly allocable to maintenance or interest charges."

"Sec. 24. ITEMS NOT DEDUCTIBLE.

* * * * * * * * *

"(c) UNPAID EXPENSES AND INTEREST.—In computing net income no deduction shall be allowed in respect of expenses incurred under section 23 (a) or interest accrued under section 23 (b)—

"(1) If not paid within the taxable year or within two and one-half months after the close thereof; and" * * *

"Sec. 41. GENERAL RULE.

"The net income shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year, as the case may be) in accordance with the method of accounting regularly employed in keeping the books of such taxpayer; but if no such method of accounting has been so employed, or if the method em-

ployed does not clearly reflect the income, the computation shall be made in accordance with such method as in the opinion of the Commissioner does not clearly reflect the income. If the taxpayer's annual accounting period is other than a fiscal year as defined in section 48 or if the taxpayer has no annual accounting period or does not keep books, the net income shall be computed on the basis of the calendar year. (For use of inventories, see section 22 (c).)"

"Sec. 43. PERIOD FOR WHICH DEDUCTIONS AND CREDITS TAKEN.

"The deductions and credits (other than the dividends paid credit provided in section 27) provided for in this title shall be taken for the taxable year in which 'paid or accrued' or 'paid or incurred,' dependent upon the method of accounting upon the basis of which the net income is computed, unless in order to clearly reflect the income the deductions or credits should be taken as of a different period."

"Sec. 48. DEFINITIONS.

"When used in this title—" * * *

"(c) PAID, INCURRED, ACCRUED.—The terms 'paid or incurred' and 'paid or accrued' shall be construed according to the method of accounting upon the basis of which the net income is computed under this Part."

REGULATION 103, SECTION 19.22(a)-7.

"Form 1040F should be filled in and attached to his income tax return by every farmer who either keeps no records or only records of cash receipts and disbursements; its use is optional with other farmers."

REGULATION 103, SECTION 19.23(c)-3.

"Assessments under the statutes of California relating to irrigation and of Iowa relating to drainage, and under certain statutes of Tennessee relating to levees, are limited to property benefited, and if the assessments are so limited, the amounts paid thereunder are not deductible as taxes. The above statements are subject to the exception that in so far as assessments against local benefits are made for the purpose of maintenance of repair or for the purpose of meeting interest charges with respect to such benefits, they are deductible."

APPENDIX B.

CALIFORNIA POLITICAL CODE, SEC. 3478.

"All reclamation districts now legally existing in this state, which were created by or formed under the provisions of any provisions of any statute of the state, shall henceforth be subject to the provisions of the Political Code of the state of California relating to reclamation districts the same as though such districts had been formed by or created under the provisions of said code relating to 'swamp and overflowed, salt marsh and tide lands'; provided, that this provision shall not affect any proceeding that shall have been already commenced for the levy or collection of assessments in such districts when this act takes effect, nor shall it affect any act done or performed in relation to the affairs of such districts prior to such last mentioned date, nor the indebtedness of such districts theretofore incurred, excepting as to the method of liquidating such indebtedness; and all the provisions of the Political Code for assessments and issuing bonds by reclamation districts are hereby made applicable to the districts mentioned in this section. (Enacted 1872; Amended by Stats. 1911.)"

* * * * * * * * *

"At least ninety days before any interest date of the bonds, including refunding bonds, the county treasurer of the main county shall estimate the amount of money necessary to pay interest and principal maturing on such interest date after crediting thereon the funds in the treasury applicable to the payment thereof, and the expenses of the county treasurer hereinafter provided and shall add thereto fifteen per cent of such aggregate sum to cover possible delinquencies. * * *"

* * * * * * * * *

"The lien of any unpaid assessment upon which bonds shall have been issued shall continue until all said bonds, and any refunding bonds which may be issued, shall have been paid in full except as hereinafter provided in reference to the use of bonds as payment of assessments, and if for any reason any part of such principal or interest of said bonds, or of refunding bonds shall remain unpaid after enforcement of said assessment as in this article provided, the board of supervisors of the main county shall order an additional or supplemental assessment to be made as provided in section 3459, sufficient to pay such unpaid principal and interest; which additional or supplemental assessment shall be enforced and collected in the same manner as the original assessment."

* * * * * * * * *

"The word installment as used in this section shall be construed as applying to interest as well as the principal as the case may be."

* * * * * * * * *

"Said installment may be paid either in cash or in bonds of said district, or their interest coupons, issued upon said assessment, then matured or to mature within ninety days from the date of the calling of such installment, taken at their face value, or part in cash and part in such bonds and/or coupons. Any bond or coupon so received in payment shall be by the treasurer forthwith canceled and filed in his office. If any part of such installment or any interest thereon shall remain unpaid at the expiration of thirty days from the date of said notice, it shall become delinquent and ten per cent of the unpaid amount of said installment shall be added thereto and collected by said treasurer."

Service of the within and receipt of a copy thereof is hereby admitted this..... day of April, A. D. 1946.

_____

_____

4-26-46—80